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CSPC PHARMACEUTICAL GROUP LIMITED

石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

DISCLOSEABLE TRANSACTION DISPOSAL OF A NON WHOLLY-OWNED SUBSIDIARY

On 25 September 2013, Zhongnuo, a non wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which Zhongnuo agreed to sell and the Purchaser agreed to purchase the Sale Interest (being 90% equity interest in Tianjin Cenway, a non wholly-owned subsidiary of the Company) at the consideration of RMB120,000,000, on and subject to the terms and conditions of the Agreement.

Further, the Purchaser undertook to procure Tianjin Cenway to repay all debts owed by Tianjin Cenway to the Group as at the date of the Agreement on or before 31 December 2013. As at the date of the Agreement, Tianjin Cenway owed an aggregate of RMB140,530,000 to the Group.

Cenway Group is principally engaged in the manufacture and sales of cephalosporin intermediates. It is expected that a gain of approximately HK\$34,000,000 will accrue to the Group upon completion of the Disposal.

As all of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement, when aggregated with the Previous Disposal, exceed 5% but are less than 25%, the Disposal constitutes and remains classified as a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

Date

25 September 2013

Parties

Vendor : Zhongnuo

Purchaser : 內蒙古常盛製藥有限公司 (Inner Mongolia Chang Sheng Pharmaceutical Company Limited*)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Agreement, Zhongnuo agreed to sell and the Purchaser agreed to purchase the Sale Interest, representing 90% equity interest of Tianjin Cenway as at the date of the Agreement.

Tianjin Cenway is principally engaged in the manufacture and sales of GCLE, a cephalosporin intermediate. As at the date of the Agreement, the registered capital of Tianjin Cenway was RMB155,000,000.

(A) Financial information of Tianjin Cenway

Based on the audited accounts for the financial year ended 31 December 2011 and 31 December 2012 of Tianjin Cenway prepared in accordance with the generally accepted accounting principles in the PRC, the financial information of Tianjin Cenway were as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	177,191	192,658
Profit (loss) before tax	(17,632)	2,366
Profit (loss) after tax	(17,632)	25

As at 31 December 2012, the audited net asset value of Tianjin Cenway was approximately RMB153,181,000.

(B) Financial information of Beijing Cenway

Tianjin Cenway owns 100% equity interest in Beijing Cenway. Beijing Cenway is principally engaged in the research and development of cephalosporin intermediates.

Based on the unaudited accounts for the financial year ended 31 December 2011 and 31 December 2012 of Beijing Cenway prepared in accordance with the generally accepted accounting principles in the PRC, the financial information of Beijing Cenway were as follows:

	For the year ended 31 December 2012	For the year ended 31 December 2011
	(unaudited)	(unaudited)
	<i>RMB '000</i>	<i>RMB '000</i>
Revenue	926	2,083
Profit (loss) before tax	(303)	(340)
Profit (loss) after tax	(303)	(340)

As at 31 December 2012, the unaudited net asset value of Beijing Cenway was approximately RMB3,191,000.

Upon Completion, Tianjin Cenway will cease to be a subsidiary of the Company, and the Company will no longer have any interest in Tianjin Cenway and Beijing Cenway.

Consideration

The Consideration payable by the Purchaser to Zhongnuo for the sale and purchase of the Sale Interest is RMB120,000,000 (equivalent to approximately HK\$151,899,000).

The Consideration will be payable by the Purchaser to Zhongnuo within 10 working days from the date of the Agreement. If the Purchaser fails to pay the Consideration in accordance with the Agreement, Zhongnuo shall be entitled to terminate the Agreement. In the event that Zhongnuo chooses not to terminate the Agreement, the Purchaser will be subject to a daily interest payment of 0.05% of the outstanding Consideration for each day of the delay.

The Consideration was determined following commercial and arm's length negotiations between the Company and the Purchaser with reference to the business operations, financial performance, and the net asset value of the Cenway Group.

Certain outstanding debts of Tianjin Cenway

As at the date of the Agreement, Tianjin Cenway owed an aggregate of RMB140,530,000 to the Group. Pursuant to the Agreement, the Purchaser undertook to procure Tianjin Cenway to repay such debts to a designated subsidiary of the Company on or before 31 December 2013. It was further agreed that if Tianjin Cenway fails to repay such debts by 31 December 2013 in full, the Purchaser shall be liable to repay the same.

In order to ensure repayment of such debts, the Purchaser has agreed to procure a bank in the PRC to issue bank guarantee in the amount of RMB150,000,000 to a designated subsidiary of the Company within 30 calendar days from the date of the Agreement. Pursuant to such bank guarantee, if the Purchaser fails to fully repay all outstanding debts to the Group by 31 December 2013, the designated subsidiary is entitled to demand immediate payment of the relevant sum by the bank issuing the bank guarantee. If the Purchaser fails to deliver the bank guarantee to the designated subsidiary within the aforesaid timeframe, Zhongnuo shall be entitled (but not obligated) to terminate the Agreement and the transaction contemplated thereunder, in which case Zhongnuo shall be entitled to forfeit the Consideration (or any part thereof) already paid by the Purchaser as damages.

Completion

Subject to the payment of the Consideration and the delivery of the abovementioned bank guarantee by the Purchaser, the parties to the Agreement agreed to use their best endeavours to procure the completion of the industrial and commercial registration procedures relating to the Sale Interest as soon as practicable and undertook to co-operate and provide mutual assistance in relation thereto.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Tianjin Cenway has been performing unsatisfactorily financially in recent years and caused negative impact on the results of the Group. As the excess in production capacity of GCLE in the PRC is expected to persist, the Company expects that the prospect of the GCLE market in the PRC will continue to be challenging and is not optimistic about the future performance of Tianjin Cenway. Having considered these factors, the Company intends to dispose of the Sale Interest to reduce the potential risk for further losses, and accordingly improving the Group's financial results and returns. After the disposal of Tianjin Cenway, the Group will not continue to manufacture and sell GCLE. However, the Company would continue the operation of manufacturing other cephalosporin intermediates through other subsidiaries of the Company, which will be used both internally for manufacturing finished drugs products of the Group and for external sales.

It is expected that a gain of approximately HK\$34,000,000 will accrue to the Group upon completion of the Disposal. The net proceeds from the Disposal will be used by the Group as general working capital.

The Directors (including the independent non-executive Directors) of the Company consider that the terms of the Disposal are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As all of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Agreement, when aggregated with the Previous Disposal, exceed 5% but are less than 25%, the Disposal constitutes and remains classified as a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company include the manufacture and sales of pharmaceutical products.

The Purchaser is principally engaged in the manufacture and sales of pharmaceutical products and investment holding.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:—

“Agreement”	the agreement for the sale and purchase of the Sale Interest entered into between Zhongnuo (as vendor) and the Purchaser (as purchaser) on 25 September 2013
“Beijing Cenway”	北京信匯研創醫藥技術有限公司 (Beijing Cenway Pharmaceutical Technology Research Co., Ltd.*), a company established in the PRC and a direct wholly-owned subsidiary of Tianjin Cenway as at the date of the Agreement
“Cenway Group”	Tianjin Cenway and Beijing Cenway
“Company”	CSPC Pharmaceutical Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB120,000,000, being the consideration for the sale and purchase of the Sale Interest

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by Zhongnuo to the Purchaser on and subject to the terms of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Disposal”	the disposal of 100% equity interest of Zhongrun (NMG) as disclosed in the Company’s announcement dated 4 June 2013
“Purchaser”	內蒙古常盛製藥有限公司 (Inner Mongolia Chang Sheng Pharmaceutical Company Limited*) (formerly known as 石藥集團中潤製藥(內蒙古)有限公司 (CSPC Zhongrun Pharmaceutical (Inner Mongolia) Co., Ltd.*) (“ Zhongrun (NMG) ”)), a foreign-owned enterprise established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	90% equity interest of Tianjin Cenway
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Cenway”	石藥信滙(天津)醫藥科技有限公司 (CSPC Cenway (Tianjin) Pharmaceutical Co., Ltd.*), a company established in the PRC owned as to 90% by Zhongnuo and 10% by an independent third party as at the date of the Agreement

“Zhongnuo” 石藥集團中諾藥業(石家莊)有限公司 (CSPC Hebei Zhongnuo Pharmaceutical (Shijiazhuang) Company Limited*), a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company

“%” per cent

By order of the Board of
CSPC Pharmaceutical Group Limited
CAI Dongchen
Chairman

Hong Kong, 25 September 2013

Note: for illustration purpose only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of HK\$1=RMB0.79. This does not constitute any representation that any amount has been, could have been or may be exchanged at any particular rate on any date.

As at the date of this announcement, the Board of the Company comprises Mr. Cai Dongchen, Mr. Feng Zhenying, Mr. Chak Kin Man, Mr. Pan Weidong, Mr. Zhao John Huan, Mr. Wang Shunlong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Zhenguo and Mr. Wang Jinxu as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive Director and Mr. Huo Zhenxing, Mr. Qi Moujia, Mr. Guo Shichang, Mr. Chan Siu Keung, Leonard, Mr. Wang Bo and Mr. Zhang Fawang as independent non-executive Directors.

** for identification purpose only*